

Testimony of Spencer Abraham
Secretary
U. S. Department of Energy
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House Committee on Energy and Commerce
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Good Morning Mr. Chairman and Members of the Committee. I am pleased to appear before you today to discuss the President's FY 2005 budget request for the Department of Energy. At \$24.3 billion in gross budget authority, the FY 2005 budget request is the largest in the history of the Department.

This budget request builds on a number of successes we have had over the past three years. I am very proud of what we have accomplished in terms of fulfilling the President's management vision for this Department and also what we have achieved for the national, energy, and economic security of the American people.

The Office of Management and Budget (OMB) recently announced that DOE has made the most progress among cabinet-level agencies in the implementation of the President's Management Agenda. OMB recognized the Department as the cabinet-level agency "leading the pack with regard to management improvement."

In addition to the progress we have made on management and mission definition, we have made great progress in a number of our program areas. We have implemented changes that have fundamentally reformed DOE's Environmental Management program. Complex-wide, we have taken an approach to accelerated cleanup that says we will not allow the legacy of the work done in the weapons complex to be part of a community's burden for future generations. At the beginning of this Administration, the timetable for completing cleanup at all sites was 70 years. Today, we have implemented reforms to accelerate completion of the cleanup program by 35 years, saving American taxpayers as much as \$50 billion and perhaps even more.

Another area where we have made tremendous progress is ensuring that nuclear power remains part of the Nation's fuel mix. Two years ago, the Administration and Congress made the decision to move forward with the Yucca Mountain project, a permanent nuclear waste repository in Nevada. The Yucca Mountain project is on schedule to accept waste in 2010. There is still much work to be done – at the site, at the Nuclear Regulatory Commission, and throughout the country – but at the end of the day America will finally have a long-promised, safe repository for nuclear waste.

The Yucca Mountain project goes hand-in-hand with other steps we have taken to ensure nuclear energy plays an important role in our future energy mix. Our scientists are pursuing an advanced fuel cycle to significantly improve fuel performance, energy utilization, and proliferation resistance for nuclear reactors. We are also working internationally to develop the next generation of nuclear technologies to take us to the

next level in terms of efficiency, reliability, and security.

In addition to advanced nuclear research, we are pursuing other new technologies to meet future energy and environmental challenges. These are transformative technologies that will change the way we think about how we use and produce energy. We are pursuing a path toward a "hydrogen economy" -- with affordable zero emission fuel cell vehicles, abundant production sources, and safe storage and transportation of hydrogen. We are developing carbon sequestration which, when used in conjunction with advanced power production technologies, promises to ensure that this country's 250-year coal reserves can be used without concern about environmental impact.

We have also aggressively pursued international cooperation in order to advance our initiatives. In a variety of areas, especially those that relate to climate change, we have been able to create partnerships with other countries to develop the Department's cutting-edge science and technology.

Last November, the International Partnership for the Hydrogen Economy brought together 15 countries and the European Union to work together on fuel cells and other energy technologies for the future. In June, the Carbon Sequestration Leadership Forum brought 13 countries together to begin working on ways to sequester greenhouse gas emissions from fossil fuels.

We have expanded international partnerships on the energy production side as well. We have developed much stronger relationships with countries like Russia and others in the Caspian region, in Africa, and in South America that have the potential to be major suppliers of gas and oil for the 21st century. As important as it is to have a diverse mix of fuel, it is equally important to have a diverse set of sources from which we acquire that fuel. In December we hosted a conference on liquefied natural gas, or LNG, bringing together all of the world's major gas-producing countries to discuss increasing U.S. access to gas imports. It was an extremely successful conference, one that will help produce the fuels we need in the 21st Century.

Finally, we have made a lot of progress on safety and shoring up the security of the Department's complex. Much of our Department's work is of a highly skilled nature and deals with dangerous materials. Many of our facilities are located near populated communities. Given these facts, it is clear that safety has to be of paramount concern for everyone at DOE. We have done a good job of driving that message home.

The same goes for security. Our Departmental mission is national security. We cannot be said to be fulfilling that mission with any confidence unless we can guarantee security at our facilities. We are attempting to do that. We have increased the security budget by about 35 percent since FY 2002. We have made significant managerial changes in the security leadership at our facilities. We have revised and are implementing the Design Basis Threat, which is the post-September 11th analysis of potential threats against which we must protect DOE sites and materials across the country. And we have a high-level review of security procedures being conducted by some of the Nation's top military and civilian experts.

Our FY 2005 budget proposal seeks to continue and build on our successes. It includes unprecedented funding increases to hasten the cleanup of the Cold War environmental legacy, to construct a permanent nuclear waste repository at Yucca Mountain, to deliver on essential nuclear-related defense requirements, to provide for energy security by exploring the promise of hydrogen and fusion, and to promote basic science research to ensure America's technological preeminence well into the future.

ENERGY

Turning to the energy budget, the Department is requesting \$2.7 billion for energy resource programs in FY 2005. An important element of all our energy programs is making current forms of energy use more secure, more efficient, and more environmentally benign. At the same time, we are preparing long-term energy solutions that will eventually make questions of supply and environmental effects obsolete. The Administration's energy portfolio takes a long-term focus through investments in hydrogen use and production, electricity reliability, and advanced coal and nuclear energy power technologies. Investments in these pivotal areas honor a commitment to strengthen the Nation's energy security for the near-term and for generations to come.

Hydrogen holds tremendous promise to help meet our Nation's future energy challenges. In FY 2005, the Department's Office of Energy Efficiency and Renewable Energy is at the forefront of implementing the President's Hydrogen Fuel Initiative. The Department is requesting \$227 million for hydrogen activities. That figure includes \$173 million in the Energy Efficiency and Renewable Energy program, \$29 million in the Science program, \$16 million in the Fossil Energy program, and \$9 million in the Nuclear Energy program.

The budget includes an investment of \$544 million for R&D to improve energy efficiency and reliability in buildings, transportation, and industry, and \$375 million for R&D to reduce the cost of renewable energy technologies such as wind, solar, geothermal, and biomass, as well as to promote deployment of renewable technologies. The Energy Efficiency and Renewable Energy budget also includes \$291 million to fulfill the President's commitment to increase funding for the Weatherization Assistance Program by \$1.4 billion over ten years. The FY 2005 request would weatherize 119,000 homes in calendar year 2005.

This budget invests \$447 million for the President's Coal Research Initiative to dramatically improve the efficiency and environmental protections being developed for coal burning power production. Of that figure, \$287 million will go to the President's Clean Coal Power Initiative, including the ambitious FutureGen program. The Department launched FutureGen in FY 2004. This cost-shared, \$1 billion project will create the world's first near zero-emissions fossil fuel plant. When operational, FutureGen will be the cleanest fossil fuel-fired power plant in the world.

Continuing on the discussion of fossil energy, the Strategic Petroleum Reserve and Northeast Home Heating Oil Reserve are key elements of our nation's energy security. Both serve as resource options for the President to use to protect U.S. citizens from

disruptions in commercial energy supplies.

The President has directed DOE to fill the Strategic Petroleum Reserve (SPR) to its full 700 million barrel capacity. The mechanism for doing this – a cooperative effort with the Minerals Management Service to exchange royalty oil from federal leases in the Gulf of Mexico – is working well. We have been able to accelerate fill from an average of 60,000 barrels per day at the start of the President's initiative to a rate of 130,000 barrels per day.

Because of the President's "royalty in kind" initiative, we have achieved the Reserve's highest inventory level ever, now at 650 million barrels. Our goal remains to have a full inventory of 700 million barrels by the end of calendar year 2005.

The FY 2005 budget for the SPR is \$172.1 million, all of which is now in our facilities development and operations account. We do not require additional funds in the oil acquisition account because charges for transporting "royalty in kind" oil to the SPR are now the responsibility of the oil supplier.

We are requesting \$5 million for the Northeast Home Heating Oil Reserve, the same level as last year. The two-million-barrel reserve remains ready to respond to a Presidential order should there be a severe fuel oil supply disruption in the Northeast. A key element of this readiness is a new online computerized "auction" system that we implemented to expedite the bidding process. Installing and testing the electronic system (including tests with prospective commercial bidders) have also been major elements of the Fossil Energy program's role in implementing the "e-government" initiatives of the President's Management Agenda.

Nuclear energy remains a critical component of the Nation's energy portfolio and a significant part of America's energy future. The budget request for the Department's nuclear energy programs in FY 2005 is \$410 million. These programs work to address essential requirements to develop advanced nuclear power technologies for deployment. The FY 2005 nuclear energy budget request also reflects the establishment of the Idaho National Laboratory. This new laboratory will serve as the Nation's primary center for strategic nuclear energy research, development, demonstration, and education. It will lead the Department's investigation of a new type of nuclear power plant that is proliferation-resistant and melt-down proof – the next generation nuclear power plant. It is our objective that the Idaho National Laboratory becomes the world's premier nuclear energy technology center within a decade.

The widespread blackout of August 2003, affecting an area with 50 million people across eight states and one Canadian province, was a strong reminder that our Nation's electricity grid has vulnerabilities and weaknesses which need to be addressed. Energy reliability is imperative. To this end, DOE requests \$91 million to modernize and expand our national electricity transmission grid. Included within this request is \$5.5 million for the new Gridworks program and \$5 million for the Gridwise program. These initiatives will improve electricity reliability by bringing innovation in information technology and transmission hardware into operational electric systems. The budget request for Other

Defense Activities includes \$10.6 million for Energy Security and Assurance activities to complement the efforts undertaken by the Office of Electric Transmission and Distribution and the activities of the Department of Homeland Security.

ENVIRONMENT

All of our scientific research is designed in part to meet our Nation's environmental challenges. In that regard, DOE's work on hydrogen, clean-coal technology, or next generation nuclear technology comes as readily to mind as our renewable energy research. This commitment to the environment includes taking action to address the environmental legacy of our past work, particularly building the nuclear weapons complex that helped win the Cold War. We need to cleanup the contamination caused by the production of nuclear weapons and. We also need to do right by former weapons employees who may have become ill as a result of their work at nuclear facilities. And we must act to ensuring our Nation is equipped to safely handle future high-level nuclear waste generated by the use of conventional nuclear power as well as the continued production of nuclear weapons.

DOE is prepared for these responsibilities through our Environmental Management program, and the work at Yucca Mountain. Our FY 2005 budget requests \$8.6 billion to meet our various environmental-related objectives. Within that, we are seeking over \$7.4 billion for the Environmental Management program. This is the most funding ever requested for this program. This budget reflects the peak year of DOE's investment strategy for accelerated cleanup. The budget also includes a \$350 million proposal to reserve funds pending the satisfactory outcome of uncertainties associated with a recent court ruling dealing with our authority to classify certain lower-activity waste from reprocessing (Waste Incidental to Reprocessing) under the Atomic Energy Act of 1954.

To better focus Environmental Management funds on actual cleanup activities, the FY 2005 budget includes several program shifts from environmental management to other programs within the Department. The Department's accelerated cleanup strategy has led to the creation of two new organizations outside of Environmental Management - the Office of Legacy Management and the planned Office of Future Liabilities. Transferring responsibilities to these new offices enables the Environmental Management program to complete its current cleanup scope, and allows other Departmental programs to focus on their primary missions.

The budget includes \$66 million for the Office of Legacy Management to manage post-environmental-cleanup activities. This organization demonstrates the Department's long-term commitment to manage requirements relevant to closure sites beyond the completion of remediation.

The budget also includes \$8 million for the Office of Future Liabilities to address various cleanup activities at sites with continuing missions. The FY 2005 budget provides funds to pay for and manage environmental liabilities for sites not currently assigned within the Department. This is a planning office to address various future cleanup activities at sites with continuing missions. The FY 2005 budget provides funds to plan for environmental

liabilities not currently assigned within the Department.

The FY 2005 budget includes \$43 million within the Environment, Safety and Health program to accelerate the processing of applications by employees of DOE contractors who may have become ill as a result of their work at DOE facilities. This is a matter of doing what's right and taking care of those whose labors helped secure our safety. With this budget request, we are making good on implementing a three-year program to completely eliminate the backlog of applications at DOE by the end of 2006.

One of the most significant and long-standing commitments addressed in this budget is funding to establish a permanent nuclear waste repository at Yucca Mountain. In order to remain on schedule to begin operation in 2010, the FY 2005 budget requests \$880 million for Yucca Mountain repository activities. This is key to ensuring the future use of nuclear power in this Nation. It is also key to helping us complete the cleanup of our weapons facilities and to consolidate high-level nuclear waste in one safe, secure location. This request enables us to finalize the license application for construction of the permanent repository, as well as other activities associated with construction and with developing a transportation system to Yucca. We plan to submit a license application to the Nuclear Regulatory Commission by December 2004.

The Yucca Mountain project is moving toward a second phase, one which will require a significant financial commitment to accomplish. The FY 2005 budget request includes a legislative proposal to reclassify currently mandatory receipts to the Nuclear Waste Fund as discretionary, to offset the amount appropriated for geologic repository activities. In FY 2005, the Department proposes that \$749 million in fees collected from utilities for the purposes of the Nuclear Waste Fund be used to offset FY 2005 non-defense appropriations in support of design and other Yucca Mountain activities. This proposal will help ensure that the Department will have the financial resources needed to accomplish an undertaking of this scope.

Throughout the entire budget request is funding for one of our highest priorities, safeguarding and securing DOE's sites and facilities. The FY 2005 budget includes \$1.38 billion for all DOE safeguards and security programs to address additional requirements identified as a result of the revised Design Basis Threat.

Within the total amount requested for safeguards and security activities, approximately \$707 million will support activities to safeguard nuclear weapons facilities. About \$265 million will support activities that protect the Cold War nuclear waste material being cleaned up at our environmental cleanup sites.

In addition, we are committing approximately \$73 million to support the continued safeguards and security activities at our scientific laboratories and facilities. We are requesting \$255 million to support the development of DOE-wide security policies as well as to provide physical security for DOE Headquarters. The FY 2005 budget request also includes \$58 million to support safeguards and security activities at the new Idaho National Laboratory for nuclear energy R&D. Moreover, \$25 million will fund the Department's cyber security activities administered by the Department's Chief

Information Officer, while an additional \$109 million within the amounts mentioned above will fund DOE-wide cyber security measures.

ENERGY INFORMATION

The Department through the Energy Information Administration (EIA) is being increasingly called upon to provide timely energy information and analysis on ongoing and topical energy issues to assist the Administration and Congress in deliberations regarding national and international energy policy, markets and investments. To that end, we are requesting \$85 million. The FY 2005 funding will provide for the Federal employee pay raise and maintain the other on-going data and analysis activities, allowing EIA to continue disseminating accurate and reliable energy information and analyses to inform energy policy-makers.

EIA's base program includes the maintenance of a comprehensive energy database, the maintenance of modeling systems for both near and mid-term energy market analysis and forecasting, and the dissemination of energy data and analyses to a wide variety of customers in the public and private sectors through the National Energy Information Center.

EIA continues to aggressively expand the availability of electronic information and upgrade energy data dissemination, particularly on the EIA website. The increased use of electronic technology for energy data dissemination has led to an explosive growth in the number of its data customers and the breadth of their interests, as well as an increase in the depth of the information distributed. Since establishing a FY 1997 goal to increase the number of users of its website by 20 percent annually, EIA has either met or exceeded this commitment in each of the succeeding years. In FY 2003, EIA accomplished a 23-percent increase as compared to FY 2002, delivering more than 2,600 gigabytes of data.

CONCLUSION

The Department's FY 2005 request reflects the accomplishments of the last three years, the successes, and the many changes. This request charts a focused course of investment for the Nation's future -- one guided by a cohesive mission and targeted performance metrics. Making all of this work are the extremely talented men and women of the Department of Energy which include some of the world's top engineers and scientists. It is a privilege to work alongside them on a common mission. It is an honor to serve a President who has provided this vision of what this Department can -- and will -- accomplish in FY 2005 and beyond.

Thank you. This concludes my formal statement. I would be pleased to answer any questions you may have at this time.